COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 03-36

Date: July 11, 2003

Witness Responsible: James L. Harrison

DTE 1-25: Please refer to Exh. BSG-2, at 11-12 and to the Company's March 21, 2003 filing. Discuss how the Company arrived at the following amounts and what each amount stands for:

(a) $9,763,656 (see page 3 of Bay State's March 21, 2003 filing);
(b) $4.2 million (see page 12 of Exh. BSG-2); and
(c) $1,413,872 (see page 11 of Exh.BSG-2).

RESPONSE: (a) This figure was erroneously included in the original filing. It was intended to be the $4.2 million figure discussed in part (b) of this response. The figure is intended to represent the total LBR and accumulated interest that, if allowed to be collected in a single 12 month period commencing November 1, 2002, would make the present worth of the Company's LBR recovery identical to that which would have eventuated if the RPM had never been implemented. This figure represents a single year catch-up and includes all LBR disallowed in each year following the implementation of the RPM as well as accumulated carrying charges.

(b) This figure represents the cumulative difference including carrying charges between:
(1) the DTE-allowed LBR recoveries, including the lowered levels resulting from the implementation of the RPM in the most recent years, and

(2) the LBR recoveries that would have been instituted but for the implementation of the RPM. This figure includes the cumulative impact of each year of reduced LBR allowed under the RPM. LBR from the therm savings of all measures disallowed by the RPM are included in its calculation.

In order to make this calculation and all LBR calculations, the Company queried its DSM database and produced the files RESDATA14.XLS, COMDATA14.XLS and Mfdata14.xls found in Attachment DTE1-1 (b) which are fed into the LBR models respectively. For each month, the the LBR Model identified the actually achieved therm savings for ALL previously installed measures and computed associated LBR. Next, actual monthly LBR recoveries

were tabulated and carrying charges were applied to the net difference. A second set of calculations were made; however, not all installed measures were included in the second LBR calculation. In accordance with the RPM, measures older than 4 years were excluded from this second calculation. Incidentally, this second calculation was methodologically identical to the calculation used to generate each of the Company's six previous LNR filings. For presentation purposes the figures were aggregated into semi-annual figures consistent with the Company's actual LNR filings. Since the computed LBR in the second case were virtually identical to the DTE-allowed LBR recoveries, carrying charges in the second case were small.

Comparing these two sets of calculations, the results for each period prior to the implementation of the RPM were identical. However, in the later periods, the first method developed significantly higher LBR and carrying charges.

(c) This figure represents only the LBR and carrying charges stemming from those previously installed measures that were dropped from the RPM's LBR calculations in the Company's LNR 13 and LNR 14 filings covering the periods ending 2/28/02 and 8/31/02, respectively. In order to make this calculation, Mr. Harrison again exercised the models making two calculations one including all previously installed measures and one employing the RPM, thereby excluding therm savings from older measures. The latter calculations were exactly the same calculations used to prepare LNR 13 and LNR 14. In order to measure the effect of the RPM's impact for a single year, the assumed LBR recoveries for all periods prior to 2002 were set equal to the computed LBR, thereby eliminating any prior period carrying charges. This approach yielded the LBR and carrying charges that would have been requested in LNR 13 and LNR 14 if the LBR recoveries had not been limited by the RPM.